

10.00am, Thursday, 28 May 2015

## Edinburgh and South East Scotland City Region City Deal

Item number	8.4
Report number	
Executive/routine	
Wards	All

### Executive summary

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City Deals have been secured by a number of UK Cities and, as part of the Budget presented on 18 March 2015, the UK Government announced that it was opening negotiations with local partners, and with the Scottish and Welsh Governments, for City Deals for Cardiff, Aberdeen and Inverness.

The Edinburgh and South East Scotland City Region (ESESCR) has a population of over 1.3 million people with a Gross Value Added (GVA) of just over £30 billion, or roughly 30% of the Scottish economy. The ESESCR wishes to make a step change in economic growth in the Region by seeking a City Deal with the Scottish and UK Governments, establishing an associated Infrastructure Fund, with a complementary skills and innovation package.

Partners across the Region have developed an outline business case for an ESESCR City Deal proposal. This is forming the basis of discussions with Governments, however further resources are required to develop a detailed City Deal proposal and formal approval is required to take forward this inter-authority working.

### Links

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Coalition pledges	<a href="#">P17</a> , <a href="#">P28</a>
Council outcomes	<a href="#">C07-C09</a>
Single Outcome Agreement	<a href="#">S01</a>

## Edinburgh and South East Scotland City Region City Deal

### Recommendations

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- 1.1 Whilst considerable progress has been made to date, in order to develop a detailed City Deal proposition significant additional resources and continued inter-authority working are required. It is therefore recommended that Council:
- Note the progress to date in developing an outline business case;
  - Approve the inter-authority city region working (as per TORS and Committee Delegated Functions 2.1.18);
  - Approve the release of funds for the procurement of technical support to assist with the development of a detailed City Deal proposal; and
  - Delegate authority to the Director of Economic Development, in consultation with the Convenor and Vice Convenor of the Economy Committee, to appoint technical advisers

### Background

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- 2.1 City Deals have been secured by a number of UK Cities, including Manchester and Glasgow. As part of the Budget announced on 18 March 2015 the UK Government determined that there is merit in extending the City Deal model further in Scotland and Wales. It was therefore announced that the government was opening negotiations on developing City Deals for Cardiff, Aberdeen and Inverness.
- 2.2 At its meeting on 18 December 2014 the Economy Committee authorised the Director of Economic Development to develop a business case for an Edinburgh City Deal Infrastructure Fund proposal. At their meeting on 28 April 2015 the Committee considered a report detailing progress on the business case and agreed to refer the report to the Corporate Policy and Strategy Committee for its consideration.

- 2.3 Members of the Corporate Policy and Strategy Committee considered the report at their meeting on 12 May 2015, accepting a Green Party amendment requesting that an additional criteria be used to shape the City Deal proposal, namely that “the investment should be consistent with and deliver on the city’s stated ambition to advance a sustainable economy.”
- 2.4 Considerable progress has been made over recent months, working alongside regional partners, to shape the business case. The outline business case for an ESESCR City Deal was presented to the City Deal Leadership Group on 27 March 2015, where it was agreed that an approach would be made to the Scottish and UK Governments requesting early engagement as the proposals were further refined.
- 2.5 Whilst progress has been encouraging, if deadlines associated with key budget decisions at both local, Scottish and UK Government levels are to be met, considerable further work is required. This will require continued inter-authority working and significant financial and personnel resource from each of the partner authorities.

## Main report

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- 3.1 Partners across the ESESCR have developed a vision of a cohesive region that achieves the greatest economic advantage from its technology, knowledge, education, cultural assets and international connections; furthermore they have set out the prevailing barriers around skills, connectivity, housing and infrastructure. Additionally they have identified priority areas for investment, which would help to unlock regional assets and deliver a step change in economic performance. These include:
- Airport Growth zone and logistics (Edinburgh, West Lothian and Fife)
  - University Investment (Fife, Edinburgh, East, Mid and West Lothian)
  - Science Triangle (Edinburgh, Midlothian and West Lothian)
  - Bio-quarter (Edinburgh and Midlothian)
  - Housing (All)
  - Business Space (All)
  - Light transport and Borders Railway (Edinburgh, Midlothian and Borders)
- 3.2 In prioritising these investments, and detailing specific project proposals, it is recommended that GVA per £ spent is the primary criteria. Two further tests will then be applied – to ensure improvements to address inequality and to ensure a geographic spread of economic benefits across the region. In addition the Corporate Policy and Strategy Committee has agreed that an additional criteria be used to judge the proposal, namely that the investment should be consistent with and deliver on the city’s stated ambition to advance a sustainable economy.

- 3.3 It is proposed that the Infrastructure Fund will be accompanied by a complementary skills package that targets both high end skills shortages and reduces inequality by up-skilling the workforce in the areas of the city region with low incomes and poor access to employment. Interventions directed at maximising the opportunities afforded by the world class research base and wide range of technologies being pioneered across the city region will also be developed.
- 3.4 On the basis of other City Deals approved, a fund size in the range of £1bn, leveraging an estimated additional £3.2bn of private sector investment, could provide a sustainable 5% uplift in the economy of the Region. The offer to Scottish and UK Governments would include a significant degree of local funding, but in return a Payment-by-Results (PbR) Deal would be sought. This is a mechanism which delivers central funding in return for the additional growth and thus tax receipts generated by the infrastructure programme at the Scottish and UK levels. Independent expert assessments will test achievements delivered.
- 3.5 The Deal will require a three-way agreement between the Local Authorities and the Scottish and UK Governments. The Prospectus which has been developed is designed to start the conversation with both Governments about how this would work.
- 3.6 Whilst significant progress has been made over recent weeks, considerable further work is required; a programme of investment must be developed and projects prioritised; a detailed assessment of potential project costs is needed; an economic modelling tool must be developed and tested; accurate financial modelling is required; and wide-ranging stakeholder engagement carried out.
- 3.7 It is recommended that additional resources be targeted at this work. Further technical advice is required to develop the detailed City Deal proposition and a refresh of current governance structures is needed to allow the work to be progressed at the pace required. It has already been agreed that Chief Executives will take lead responsibility for specific programme areas such as Finance, Skills or Economics.
- 3.8 The costs associated with enabling the work to continue to the next level of decision gateway are significant. Initial discussions with partner Local Authorities have suggested that these costs be allocated across the region on the basis of population per local authority area; for Edinburgh this equates to a 37% share, or roughly £250,000, of anticipated costs.

## Measures of success

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- 4.1 A City Deal would enable a step change in economic performance, providing a potential 5% uplift in economic performance across the city region, unlocking strategic investment opportunities, reducing inequalities and contributing to significant job creation.

## Financial impact

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- 5.1 Recent City Deals have been based around the proposition of Government providing funding in the form of capital grants. In the Glasgow Deal this equated to approximately 90% of the funding; the remainder is to be funded by participating Councils.
- 5.2 The grant payments are typically received over a 20 year period while the capital spend is over ten years. The participating Councils therefore need to finance the infrastructure costs until grants are received.
- 5.3 A fund size in the range of £1bn, leveraging an estimated additional £3.2bn of private sector investment, could provide a sustainable 5% uplift in the economy of the Region.
- 5.4 Edinburgh has committed £25,000 to date for the provision of technical support. A further £250,000 is now required and will be funded from the underspend in Corporate Governance and Economic Development budgets in 2014/15.

## Risk, policy, compliance and governance impact

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- 6.1 All City Deals require authorities participating to demonstrate a strong, local and accountable governance structure that includes each of the authorities participating in the Infrastructure Fund. Subject to approval of the City Deal proposal further consideration will be given to risk, policy and compliance matters.

## Equalities impact

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- 7.1 A full ERIA is not required at this time but, subject to approval of the recommendations made in this report it is recognised that further consideration should be given to the equalities impacts arising.

## Sustainability impact

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8.1 A City Deal would provide a mechanism to help drive forward investment in sustainable place making. It will be developed in line with the city’s stated ambition to advance a sustainable economy. A number of projects which will help to reduce carbon emissions across the region are being considered as part of the City Deal programme.

## Consultation and engagement

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9.1 Ongoing discussions on the potential for an ESESCR City Deal have been held with city region local authorities, the UK and Scottish Governments and a number of key stakeholders. A detailed stakeholder engagement strategy will be worked up if approval is given to develop a detailed City Deal proposition

## Background reading/external references

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- 1 “City Growth and Infrastructure Investment” – report to the Economy Committee on 18 December 2014
- 2 “Edinburgh and South East Scotland City Region City Deal” – report to the Economy Committee on 28 April 2015

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## Links

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<b>Coalition pledges</b>	P17 - Continue efforts to develop the city's gap sites and encourage regeneration P28 - Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the City
<b>Council outcomes</b>	CO7 - Edinburgh draws new investment in development and regeneration CO8 - Edinburgh’s economy creates and sustains job opportunities CO9 - Edinburgh residents are able to access job opportunities
<b>Single Outcome Agreement</b>	SO1 - Edinburgh's economy delivers increased investment, jobs and opportunities for all

